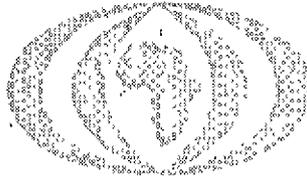


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Background Briefing No. 16

AMERICAN ATTITUDES TOWARDS SOUTH AFRICA: CONSTRUCTIVE ENGAGEMENT AND THE DIVESTMENT DEBATE

The importance for the Reagan Administration of the policy of constructive engagement in the affairs of Southern Africa was emphasised in the widely publicised address of the Under Secretary of State for Political Affairs, Mr. Lawrence Eagleburger, on 23 June, 1983. He indicated that the Administration was concerned with "what role we can play in shaping that region in the future", and he said that the message in his address was one of "responsibility for the use of American influence and power in dealing with a question of substantial and growing national interest" in the United States. He referred to "a crisis in Southern Africa" and to "the cycle of violence which has come to plague the region". The Administration had, therefore, "committed its prestige and energy to defining a regional strategy and using our influence to shape events. The undertaking has several aspects which, taken together, are directed at encouraging enhanced regional security, economic development, and peaceful change."

"Constructive engagement" is thus a policy applied to the whole region of Southern Africa and not simply to South Africa. This has been emphasised in past statements by various U.S. Government spokesmen, and it has been illustrated by the firm American commitment to the stable development of Zimbabwe, by the negotiations with the Angolan Government, by persistence on the Namibian issue and by the recent announcement of the appointment of an Ambassador to Mozambique.

On South Africa itself, Mr. Eagleburger made it clear that the Administration was opposed to the current political system and its effects on Blacks, such as the loss of citizenship and resettlement. But the U.S. Government assumed that South Africa's domestic racial system would change and that "black South Africans will gain fuller participation in all aspects of South African society and politics". He continued: "Our policy is directed, therefore, not at whether a non-racial order is in South Africa's future or what the shape of that non-racial order will be, but how that non-racial order will be arrived at." He expressed the Reagan Administration's belief that South African and U.S. interests were best served "by encouraging the change that is now under way in South Africa", and he stressed the American commitment "to strengthening the capacity of black South Africans to participate in their country's society as equals - economically, culturally and politically", while emphasising also that the Administration was opposed to revolutionary change which would "likely leave little worth fighting over".

Mr. Eagleburger maintained, therefore, that American efforts should "concentrate on positive steps which back constructive change and those working for it". He listed and applauded various steps already taken in South Africa which, he felt, were giving effect to such constructive change, and he detailed

various ways in which the United States was trying to encourage this process, particularly through support for groups and individuals, inside and outside of Government, who were "committed to peaceful change away from apartheid", and through tangible programmes in the fields of black education particularly, labour leadership and small business development in the black community.

However, apart from American Government-supported programmes, Mr. Eagleburger referred to the important role of the American business community in South Africa which, he said, had become a "force for change". He referred, for instance, to the part U.S. firms had played in promoting equal employment opportunities and in helping to bring about changes in labour laws. He referred in particular to the Sullivan Code of Fair Employment Practices which, he said, had had "a significant impact on the well-being of black South Africans on the job", and he stressed the Administration's belief that "voluntary adherence to the Sullivan Code is one of the best ways to go beyond rhetoric about apartheid".

In this context, in which U.S. firms had been "pace setters for change", Mr. Eagleburger criticised those in the United States and other Western nations who were promoting disinvestment - or "divestment" as it is usually called in the U.S. - in respect of South Africa. He said that they "not only ignore this record of achievement, but propose measures that rest on no discernable philosophic or policy premise". He continued: "Disinvestment by U.S. firms would undo an avenue of positive effort. Proponents of corporate disinvestment - and of stockholder or pension manager sales of stock of firms operating in South Africa - would have Americans wash their hands of any association with that country. This apparent quest for symbolic dissociation is, in reality, a formula guaranteed to assure America's irrelevance to South Africa's future."

This firm position has been taken against the background of what appears to be a resurgence of divestment moves in the United States and of pressures from various quarters on corporations doing business in South Africa, as well as on the Reagan Administration. Some developments in this regard can be briefly listed to illustrate the current situation:

(a) In the U.S. Congress, particularly in the House of Representatives where there is a Democratic majority, there has been growing criticism of the Administration's policy of constructive engagement, on the general grounds that it is too supportive of the South African Government which is seen as benefitting from the closer relationship with the United States, without making any significant policy changes domestically in return. There is the added allegation that this supportive U.S. policy is allowing the South African Government to take economic and military actions against its neighbours, which serve to "destabilise" the whole region.

Specific measures which have been proposed in the House of Representatives, include:

(i) An amendment* proposed by Rep. Stephen Solarz, Democrat, of New York, attached to the Export Administration Bill, which would: firstly, make adherence to the Sullivan Code compulsory

* Note: The tactic of attaching amendments to Bills dealing with wider matters, to which the amendment may not even be directly relevant, is a well-known one in the U.S. When a Bill, with amendments, is passed by the Senate and House, the President can then sign or veto it as a whole; he cannot veto only that part of a Bill, to which he may object.

for affiliates and subsidiaries of American corporations operating in South Africa (with more than 25 employees) and also establish a structure for the implementation of the Code, including monitoring of compliance with it by the State Department; secondly, ban the sale of South African gold coins in the United States; and, thirdly, place restrictions on new U.S. Bank loans to the South African Government or its agencies. This amendment is being opposed by the U.S. State Department, which believes the Code should remain voluntary, but is supported by the Rev. Leon Sullivan himself. It has passed through the preliminary stages of the Foreign Affairs and Banking Committees and, as matters now stand, is likely to be passed by the full House. An attempt may, however, be made, with State Department support, to persuade corporations which have not signed the Sullivan Code, to do so at an early date. Then it would be possible, so it is hoped, to demonstrate that there was no need to have legislation making the Code compulsory. (To date approx. 150 of the approx. 350 U.S. corporations involved have signed the Code, but the concern is now mainly with those non-signatories which have a fair number of employees, rather than with many which have hardly any employees in South Africa.) If the amendment is nevertheless passed by the House, its future is still uncertain, because the Senate has no similar amendment before it at this stage, and the matter will have to be settled in due course in a joint Senate/ House conference. At that stage there may be a "trade-off" in which the second and third elements in the amendment are dropped, while the provisions on the Sullivan Code are accepted by the Senate.

- (ii) Another amendment, which originated in the Black Caucus, is attached to a Bill to increase contributions to the International Monetary Fund. The amendment is aimed at preventing future I.M.F. loans to "any country which practises apartheid". It has passed through the House Banking Committee, but, while it may be passed by the House, it seems less likely than the above Solarz amendment to receive eventual approval by the Senate.*
- (iii) A further amendment, also attached to the Export Administration Bill and accepted by the House Foreign Affairs Committee, would tighten certain controls on exports to South Africa. These controls, originally established during the Carter Administration as an extension of the U.N. mandatory arms embargo on South Africa, were last year somewhat relaxed by the Reagan Administration. This amendment also proposes to tighten controls on exports to Iraq, Syria and South Yemen, and is therefore reported to have backing from the powerful Israeli lobby in Washington. This may give it a good chance of being approved, although again there is no similar amendment in the Senate, which will mean that the question of its adoption will eventually have to be resolved through the established procedure of the joint House/Senate conference.

(b) In the U.S. Senate, which is controlled by a Republican majority, there has also been some criticism of "constructive engagement", but the motivation behind the three following amendments to Bills before the Senate seems to be a desire to give more substance to the policy, rather than to adopt "punitive" measures, as in the House of Representatives. These three amendments are likely to be seen as an alternative to those advocated in the House, and given the Republican majority as well as an element of bipartisan sponsorship, they have a good chance of being adopted.

*The influential Chairman of the U.S. Federal Reserve Board, Mr. Paul Volcker, has expressed opposition to this amendment, which will probably affect its chances of passing.

- (i) An amendment to the Foreign Aid Bill by Senator Paul Tsongas (Democrat) and supported also by Senator Nancy Kassebaum (Republican), would impose a 2% duty on all Kruger Rands sold in the United States, with the intention that the proceeds should go to a fund for black South African education. This amendment is related to the following one.
 - (ii) Senators Kassebaum and Tsongas have submitted another amendment to the Foreign Aid Bill, which would establish a \$5 million fund to provide scholarships for South African blacks studying in South Africa. This, it seems, would supplement the existing State Department's scholarship fund, established last year, to provide for education of South African blacks in the United States.
 - (iii) A further amendment by Senator Kassebaum, attached to the State Department Authorisation Bill, would earmark \$1 million towards South African organisations promoting a more just society.
- (c) A new development over the past year or so has been the extension of the divestment campaign (which has been going on since the 1976/77 period) to State legislatures and City governments. The aim is to achieve the withdrawal of State and municipal funds from investment in corporations doing business with South Africa, and by this means to bring material pressure to bear on these corporations, presumably with the intention of eventually forcing their withdrawal from South Africa.

While there has been some success in achieving legislation in a number of States, the actual effect on corporations so far appears to have been minimal. State governments, e.g. in Massachusetts, are also reported to be finding that they are suffering losses as a result of this legislation, and there are indications of some reaction from State institutions, e.g. Pension Funds and State-supported Universities, against being required to withdraw profitable investments from certain corporations. Moreover, questions have been raised about the constitutional legality of these State laws (inter alia because they interfere with the Federal Government's right to control foreign and inter-State commerce), and there is a possibility that they may be tested in the courts. Nevertheless, this is not a campaign which can simply be dismissed as unimportant, as there is the threat of a cumulative effect as more and more States and cities pass legislation, and at the least it may gradually tend to create a climate throughout the United States which is not conducive to open and free economic links with South Africa.

According to information available at this stage, five States have so far passed some form of legislation on this matter: Massachusetts, Michigan, Connecticut, Nebraska and Kansas. Many more States are in the process of considering legislation, and it has been suggested that by the end of 1983 or during 1984 about half the 50 States may have laws in this regard. At least two cities, namely Philadelphia and Grand Rapids (Michigan), have so far adopted ordinances prohibiting investment of any funds in companies or banks doing business with South Africa, and there are several more currently considering action along the same lines, including Washington D.C.

In view of this resurgence of the divestment campaign, partly in reaction to the widely held perception of the Reagan policy as being supportive of the South African Government, it is of interest to read the attached two articles from the New York Times of 24 June, 1983, which reflect some of the issues in the current debate on the divestment concept.